

WEBBERVILLE COMMUNITY SCHOOLS
Webberville, Michigan

FINANCIAL STATEMENTS

June 30, 2008

Webberville Community Schools

Webberville, Michigan

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June 30, 2008

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Webberville Community Schools

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Webberville Community Schools
Webberville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Webberville Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

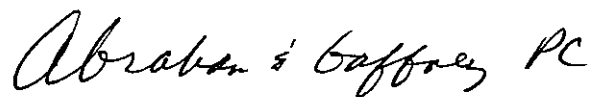
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008 on our consideration of Webberville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webberville Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 15, 2008

This section of Webberville Community Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Webberville Community Schools, a K-12 school district located in Ingham County, Michigan, reports their financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Webberville Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008 with some limited comparisons with the prior year where noted.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Webberville Community Schools' financial status. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund - the General Fund. The Special Revenue Funds, Debt Service Funds, and Capital Projects Funds are presented as nonmajor governmental funds. The remaining statement, the Statement of Fiduciary Net Assets present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), State and Federal grants, and other local dollars finance most of these activities.

The district-wide financial statements are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the district-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds, the Special Revenue (School Service) Funds which are comprised of: Food Service, Athletics, Spartan Center, and Capital Project Funds.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Financial Activities:

Despite near stagnant state funding and cost increases, the District experienced an increase in the fund balance of the General Fund in 2008, concluding the fiscal year with a fund balance of \$182,362 - approximately 3% of the operating budget. This is the result of many cost cutting actions taken over the past few years including:

- Reducing the number of instruction days, thereby reducing overhead costs for transportation and support staff
- Consolidating bus routes where possible
- Reducing staffing at all levels throughout the District
- Deferring the purchase of equipment and some facility maintenance

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2008 and 2007.

Condensed Statement of Net Assets
as of June 30, 2008 and 2007

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Assets		
Current and Other Assets	\$ 2,571,162	\$ 2,434,053
Capital Assets	<u>17,029,137</u>	<u>17,571,122</u>
Total Assets	19,600,299	20,005,175
Liabilities		
Current Liabilities	2,930,807	2,837,988
Noncurrent Liabilities	<u>19,295,786</u>	<u>19,609,467</u>
Total Liabilities	22,226,593	22,447,455
Net Assets		
Invested in capital assets, net of related debt	(2,540,547)	(2,231,616)
Restricted	26,137	94,349
Unrestricted	<u>(111,884)</u>	<u>(305,013)</u>
Total Net Assets	<u>\$(2,626,294)</u>	<u>\$(2,442,280)</u>

Analysis of Financial Position:

As detailed above, the District shows a negative total net asset value of \$2,626,294 for the fiscal year ended June 30, 2008. The net asset value has been affected by significant debt which was incurred by the District in 2002, 2004, and 2006 for the purpose of:

- Construction projects to renovate worn out facilities and meet current instructional demands as well as the needs of the students. Voters approved the sale of bonds for these purposes in 2002.
- Site improvements to athletic fields, construction of a community recreation facility, and construction of an agricultural building. Voters approved the sale of bonds for these purposes in 2004.
- Energy conservation projects to update various areas throughout the District to make them more energy efficient. Sale of these bonds for energy conservation purposes was in 2006.

Results of Operations:

For the fiscal year ended June 30, 2008 and 2007, the district-wide results of operations were:

Condensed Statement of Activities
Year Ended June 30, 2008 and 2007

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Revenues:		
Program Revenues		
Charges for Service	\$ 320,555	\$ 288,142
Operating and Capital Grants	662,491	592,819
General Revenues		
Property Taxes	1,657,513	1,534,761
State School Aid-unrestricted	3,943,204	4,022,884
Other	<u>562,054</u>	<u>469,935</u>
Total Revenues	7,145,815	6,908,541
Functions/Program Expenses:		
Instruction	3,117,400	3,192,796
Supporting services	2,095,276	2,200,597
Community services	197,811	84,316
Food service	227,362	211,826
Athletics	210,169	200,336
Interest on long-term debt	873,122	814,092
Unallocated depreciation	<u>608,691</u>	<u>526,045</u>
Total Expenses	<u>7,329,831</u>	<u>7,230,008</u>
(Decrease) in Net Assets	<u>\$(184,014)</u>	<u>\$(321,467)</u>

Analysis and Results of Results of Operations:

During fiscal year ended June 30, 2008, the District's net assets decreased by \$184,014. Several factors which helped cause the reduction are discussed in the following sections.

A. Depreciation Expense

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2007-2008, district capital assets depreciated by \$608,691, and had total additions to capital assets for the year of \$66,706.

B. Long-Term Debt Activities

Additional debt of \$358,794 in the form of principal and interest accrued on outstanding debt was incurred by the District during the fiscal year through the State of Michigan School Bond Loan Fund. Decreases in long-term debt were realized by making principal payments in the amount of \$607,048. Additionally, accrued severance pay decreased by \$70,162. As a result of these activities, net district long-term debt liabilities decreased by \$318,416.

C. General Fund Operations

The General Fund is the main fund for the District and includes all the costs related to the instruction of students of the Webberville Community Schools such as: Salaries and benefits for Teachers, Classroom Paraprofessionals, Administrators, Secretaries, Custodial/Maintenance staff, Librarian, Counselor, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's revenues from General Fund operations were over expenditures by \$147,855 for the fiscal year ended June 30, 2008. The General Fund as of June 30, 2008, has a fund balance of \$182,362 or approximately 3.2% of expenditures for the 2007-2008 fiscal year. The School District made budget reductions prior to and during the 2007-2008 fiscal year and will need to make further reductions for 2008-09 unless funding from the State of Michigan improves.

D. Debt Service Fund Operations

The Debt Service Funds consist of five separate debt funds as follows: 1998 Debt, 2002 Debt, 2003 Debt, 2004 Debt, and 2006 Debt. The Debt Service Funds are set up to collect taxes and state revenues and pay annual debt payments. At June 30, 2008, the Debt Service Funds had \$112,758 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Loan Revolving Fund, which is a program for schools to borrow from that succeeds the Michigan School Bond Loan Fund for future loans. Any funds borrowed from the Michigan School Loan Revolving Fund will be paid back toward the end of the bond obligations. In the fiscal year ended June 30, 2008, the School District borrowed \$358,794 (principal and accrued interest) and the School District has a total obligation of \$1,793,161 to pay back to the Michigan School Bond Loan Fund and the Michigan School Loan Revolving Fund, including interest. The District also had Durant resolution bonds outstanding at June 30, 2008, totaling \$47,263, for which the State of Michigan has suspended payment until May 15, 2009. The District also has one (1) note payable outstanding for a total of \$23,860, which is paid for out of the Sinking Fund, and a potential payout of \$271,746 in severance pay outstanding at June 30, 2008.

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance June 30, 2007	Principal Issuances	Principal Payments	Principal Balance June 30, 2008
1998 Bonds	\$ 40,000	\$ -	\$ 40,000	\$ -0-
2002 Bonds	2,325,000	-	155,000	2,170,000
2003 Bonds	885,000	-	230,000	655,000
2004 Bonds	8,320,000	-	100,000	8,220,000
2006 Bonds	1,485,000	-	55,000	1,430,000
2006 Refunding Bonds	<u>5,600,000</u>	<u>-</u>	<u>20,000</u>	<u>5,580,000</u>
Total long-term bond obligations	<u>\$ 18,655,000</u>	<u>\$ -0-</u>	<u>\$ 600,000</u>	<u>\$ 18,055,000</u>

E. School Service Funds

The Webberville Community Schools also has school service funds that include the following: Food Service Fund, Athletic Fund, and Spartan Center Fund.

The Food Service Fund is a fund that reports the food service program activities. In 2004-2005 the Food Service program was out-sourced to a private company. In 2005-2006, outsourcing was expanded to include all personnel. For the year ending June 30, 2008, the Food Service Fund had revenues of \$228,348 and expenditures of \$227,362. The Food Service Fund had a fund balance of \$986 as of June 30, 2008.

The Athletic Fund includes all costs for high school and middle school athletic programs including the cost for coaches, officials, supplies, tournaments, transportation, and miscellaneous. Facility costs are accounted for in the General Fund. In 2007-2008 the Athletics Fund had revenues of \$48,800 and expenditures of \$210,169. To balance the Athletic Fund budget the District had to contribute \$161,369 from the General Fund. The Athletic Fund had a fund balance of \$0 as of June 30, 2008.

The Spartan Center Fund includes all costs for community activities with a holistic wellness focus. For the year ending June 30, 2008, the Spartan Center Fund had revenues of \$16,819 and expenditures of \$116,965. To balance the Spartan Center Fund budget the District had to contribute \$100,000 from the General Fund. The Spartan Center Fund had a fund balance of \$626 as of June 30, 2008.

F. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$541,985 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2007	Net Change	Balance June 30, 2008
Capital assets	\$ 21,539,010	\$ 66,706	\$ 21,605,716
Less: accumulated depreciation	(3,967,888)	(608,691)	(4,576,579)
Net investment in capital assets	<u>\$ 17,571,122</u>	<u>\$(541,985)</u>	<u>\$ 17,029,137</u>

The increase in capital assets is primarily due to:

- Passage of a 2004 Bond Issue in which voters approved an \$8,500,000 general obligation bond issue. A new community center and site improvements were substantially completed in the current year using the proceeds from the sale of these bonds.
- Expenditure in the current year of \$1,525,000 in Energy Conservation Bond proceeds.

IMPORTANT ECONOMIC FACTORS**A. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 25 percent of prior year's winter count and 75 percent of current year's fall count.
- c. The District's non-homestead property valuation.

B. Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Webberville Community Schools foundation allowance was \$7,204 per student for the 2007-2008 school year. This foundation amount was increased from 2006-2007 by \$119 per pupil.

C. Student Enrollment

The District's 2007-2008 student enrollment for which a State Aid Foundation was received was 653 students. The following summarizes student enrollment over the past five years:

	<u>Student FTE</u>
2007-2008	653
2006-2007	666
2005-2006	638
2004-2005	627
2003-2004	622

D. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 18.0000 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax revenue for 2007-2008 fiscal year was \$578,874.

E. Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2007-2008 the District's debt millage levy was 7.45 mills, which generated revenue of \$875,016.

F. Sinking Fund Property Taxes

In 2004, Webberville Community Schools' voters authorized a 1.0 Sinking Fund Millage for the purpose of purchasing real estate sites, construction or repair of school buildings and other lawful purposes. The amount levied is based on the taxable valuation of all properties: homestead and non-homestead.

For 2007-2008 the District was required to rollback the Sinking Fund millage to .9871 as a result of the Headlee amendment requirements. The resulting millage generated revenue of \$115,293 in tax revenue.

Webberville Community Schools

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budget and final budget to the final actual.

General Fund Revenues and Other Sources, Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2007-2008	\$5,535,564	\$5,746,056	\$5,775,866	\$240,302	\$29,810
2006-2007	\$5,413,472	\$5,628,038	\$5,653,978	\$240,506	\$25,940

General Fund Expenditures and Other Uses Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2007-2008	\$5,534,667	\$5,686,666	\$5,628,011	(\$93,344)	\$58,655
2006-2007	\$5,397,584	\$5,627,572	\$5,721,715	(\$324,131)	(\$94,143)

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Webberville Community Schools amends its budget periodically during the school year. The June 2008 budget amendment was the final budget for the fiscal year.

Revenue Change from Original to Final Budget:

Total Revenues Original Budget	\$ 5,535,564
Total Revenues Final Budget	<u>5,746,056</u>
Increase in Budget Revenues	<u>\$ 210,492</u>

The District's final actual general fund revenues were more than the final budget by \$29,810 - a variance of .5%.

Expenditures Change from Original to Final Budget:

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$ 5,534,667
Total Expenditures Final Budget	<u>5,686,666</u>
Increase in Budgeted Expenditures	<u>\$ 151,999</u>

The District's actual expenditures were less than the final budget by \$58,655 - a variance of 1.0%.

Factors Bearing on the District's Future

The end of fiscal year 2009 will mark the expiration of the current three-year teachers' contract. The economic packages (salaries and fringe benefits) contained in the current contract provide for a cap on the increase of the cost of health insurance to the District. The intent of the school board is to maintain the insurance cap and share the burden of the costs associated with health care. The current contract requires a sharing of additional revenues with the teachers up to a three percent total increase this year. One percent has been figured into the budget and is currently being paid out. The additional two percent will be paid out in October 2008 if additional revenues warrant. Close attention will need to be given to future compensation as we continue to struggle with economic conditions and declining student enrollments throughout the state.

The District continues to receive strong local support for improving resources to support academic achievement and improvement of the District's facilities and infrastructure. In June 2006 the District sold energy bonds to repair roofs, add energy efficient windows, and add insulation and brick to exposed block walls.

As a result of facility improvements, the District has significantly increased the buildings' "R" value and is now benefiting from reduced energy costs. Additionally, the District has addressed many ways of conserving resources throughout the district including:

- Implementing new policies to conserve energy use
- Rewiring lighting to limit the electric usage when students are not present
- Isolating hot water tanks to reduce the amount of water that is heated by over 55%.

Also, in 2009, the District will enter a contract to lease busses. The new vehicles will realize nearly double the fuel mileage of the current bus fleet.

Throughout the District ways to be more cost effective are being implemented including re-bidding for goods and services such as trash removal, property/liability insurance, paper products, food service vendors, uniforms, cleaning supplies, lawn care, snow removal and more. These steps have saved the District thousands of dollars.

Student enrollment is a major factor in the determination of revenues received from the State. Enrollment had been declining over the years, hitting a low of 607 students in February 2004. Since that time, the District's enrollment has been increasing. Last year the District's enrollment hit 666 students. The projected count for the fall of 2008 is 678. This represents an increase of 71 students in the last four years. The increase in enrollment is due to the improvement in academic standards, district facilities and new opportunities for students and community members. Many families are looking for a smaller environment where the school provides opportunities in a safe and more personalized environment which the District proudly offers.

The District is currently planning another bond campaign with a possible vote in May of 2009. The scope of the proposal remains to be defined in consideration of the economic situation across the region and nation. While a voter approved bond sale would extend the District's current debt, it would not increase property taxes. Some of the items being considered for inclusion in the proposed project include renovation of the 1912 elementary building, technology upgrades, science facilities and equipment, security systems, parking lot replacement, and concessions/bathrooms facilities at the football stadium.

Factors that the District will continue to monitor for possible financial impact include projected birth rates which have been declining in the state of Michigan; state and national economic conditions; available state revenue sources; and the loss of employment opportunities in Michigan resulting in families/students relocating. These factors, along with cost increases, including fuel, necessitate the continued scrutiny of expenditures and diligent planning for future budgets.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office, Webberville Community Schools, 309 E. Grand River, Webberville, Michigan 48892.

BASIC FINANCIAL STATEMENTS

Webberville Community Schools

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,515,282
Receivables	2,674
Inventories	7,338
Due from other governmental units	875,919
Prepays	43,380
Total current assets	2,444,593
Noncurrent assets	
Unamortized bond issuance costs	126,569
Capital assets not being depreciated	2,483,757
Capital assets, net of accumulated depreciation	14,545,380
Total noncurrent assets	17,155,706
TOTAL ASSETS	19,600,299
LIABILITIES	
Current liabilities	
Accounts payable	41,877
Accrued payroll	402,825
Accrued liabilities	266,248
Unearned revenue	10,774
Short-term debt payable	1,400,000
Current portion of accrued interest payable	127,493
Current portion of compensated absences	54,349
Current portion of long-term debt	627,241
Total current liabilities	2,930,807
Noncurrent liabilities	
Noncurrent portion of long-term debt	19,069,012
Noncurrent portion of accrued interest payable	9,377
Noncurrent portion of compensated absences	217,397
Total noncurrent liabilities	19,295,786
TOTAL LIABILITIES	22,226,593
NET ASSETS	
Invested in capital assets, net of related debt	(2,540,547)
Restricted for sinking fund activities	26,137
Unrestricted	(111,884)
TOTAL NET DEFICIT	\$ (2,626,294)

See accompanying notes to financial statements.

Webberville Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Functions/Programs					
Instruction	\$ 3,117,400	\$ 19,348	\$ 516,859	\$ -	\$ (2,581,193)
Supporting services	2,095,276	28,819	30,032	8,005	(2,028,420)
Food service	227,362	120,088	107,595	-	321
Athletics	210,169	41,253	-	-	(168,916)
Community services	197,811	111,047	-	-	(86,764)
Interest on long-term debt	873,122	-	-	-	(873,122)
Unallocated depreciation	608,691	-	-	-	(608,691)
TOTAL	\$ 7,329,831	\$ 320,555	\$ 654,486	\$ 8,005	(6,346,785)
General revenues					
Property taxes					1,657,513
State school aid - unrestricted					3,943,204
Special Education county allocation					494,056
Investment earnings					22,495
Miscellaneous					45,503
TOTAL GENERAL REVENUES					6,162,771
CHANGE IN NET ASSETS					(184,014)
Net deficit, beginning of the year					<u>(2,442,280)</u>
Net deficit, end of the year					<u>\$ (2,626,294)</u>

See accompanying notes to financial statements.

Webberville Community Schools

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,422,835	\$ 92,447	\$ 1,515,282
Receivables	2,447	227	2,674
Inventories	2,747	4,591	7,338
Due from other governmental units	874,556	1,363	875,919
Due from other funds	788	71,749	72,537
Prepays	42,654	726	43,380
TOTAL ASSETS	\$ 2,346,027	\$ 171,103	\$ 2,517,130
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 26,021	\$ 15,856	\$ 41,877
Accrued payroll	402,825	-	402,825
Other accrued liabilities	252,453	13,795	266,248
Due to other funds	71,749	788	72,537
Deferred revenue	10,617	157	10,774
Short-term debt payable	1,400,000	-	1,400,000
TOTAL LIABILITIES	2,163,665	30,596	2,194,261
FUND BALANCES			
Reserved for			
Inventories and prepaids	45,401	1,712	47,113
Debt service	-	112,758	112,758
Unreserved			
Undesignated, reported in			
General Fund	136,961	-	136,961
Special revenue funds	-	626	626
Capital projects funds	-	25,411	25,411
TOTAL FUND BALANCES	182,362	140,507	322,869
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,346,027	\$ 171,103	\$ 2,517,130

See accompanying notes to financial statements.

Webberville Community Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds \$ 322,869

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 21,605,716	
Accumulated depreciation is	<u>(4,576,579)</u>	17,029,137

Governmental funds report the effect of bond issuance costs and similar items when
debt is first issued, whereas these amounts are deferred and amortized in the
Statement of Net Assets.

Unamortized bond issuance costs	126,569
---------------------------------	---------

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as liabilities in
the funds. Long-term liabilities at year-end consist of:

Bonds, loans, and notes payable	(19,696,253)	
Accrued interest payable	(136,870)	
Compensated absences	<u>(271,746)</u>	(20,104,869)

Net assets of governmental activities	<u><u>\$ (2,626,294)</u></u>
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See accompanying notes to financial statements.

Webberville Community Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 740,142	\$ 1,262,356	\$ 2,002,498
State sources	4,249,931	12,132	4,262,063
Federal sources	207,965	95,463	303,428
TOTAL REVENUES	5,198,038	1,369,951	6,567,989
EXPENDITURES			
Current			
Instruction	3,187,562	-	3,187,562
Supporting services	2,095,276	-	2,095,276
Food service	-	227,362	227,362
Athletics	-	210,169	210,169
Community services	83,804	116,965	200,769
Debt service			
Principal	-	607,048	607,048
Interest and fiscal charges	-	786,490	786,490
Capital outlay	-	63,748	63,748
TOTAL EXPENDITURES	5,366,642	2,011,782	7,378,424
EXCESS OF REVENUES (UNDER) EXPENDITURES	(168,604)	(641,831)	(810,435)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	261,369	261,369
Other transactions	83,772	-	83,772
County special education allocation	494,056	-	494,056
Loan proceeds	-	285,316	285,316
Transfers out	(261,369)	-	(261,369)
TOTAL OTHER FINANCING SOURCES (USES)	316,459	546,685	863,144
NET CHANGE IN FUND BALANCES	147,855	(95,146)	52,709
Fund balances, beginning of year	34,507	235,653	270,160
Fund balances, end of year	\$ 182,362	\$ 140,507	\$ 322,869

See accompanying notes to financial statements.

Webberville Community Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 52,709

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 66,706	
Depreciation expense	<u>(608,691)</u>	
Excess of depreciation expense over capital outlay		(541,985)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and loan principal retirement	607,048	
Net effect of bond issuance related items	(15,200)	
Bond and loan proceeds (including SBLF interest)	<u>(358,794)</u>	
		233,054

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	2,046	
Decrease in accrued compensated absences	<u>70,162</u>	
		<u>72,208</u>

Change in net assets of governmental activities \$ (184,014)

See accompanying notes to financial statements.

Webberville Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash	\$ 3,205	\$ 25,663
Investments	78,658	18,000
TOTAL ASSETS	<u>\$ 81,863</u>	<u>\$ 43,663</u>
LIABILITIES		
Due to student groups - Elementary	\$ -	\$ 7,128
Due to student groups - High School	-	36,535
TOTAL LIABILITIES	-0-	<u>\$ 43,663</u>
NET ASSETS		
Held in trust for scholarships	<u>\$ 81,863</u>	

See accompanying notes to financial statements.

Webberville Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2008

	Private Purpose Trust Fund
ADDITIONS	
Investment earnings	\$ 4,679
DEDUCTIONS	
Other supporting services	<u>3,107</u>
CHANGE IN NET ASSETS	1,572
Net assets - beginning of year	<u>80,291</u>
Net assets - end of year	<u><u>\$ 81,863</u></u>

See accompanying notes to financial statements.

Webberville Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Webberville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Webberville Community Schools (primary government). The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included. Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. Separate columns are shown for major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the District is:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. All annual appropriations lapse at fiscal year end.

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted to the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for General and Special Revenue Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year with the last one approved June 16, 2008.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, commercial paper, money market accounts and pooled investment funds with an original maturity of 90 days or less. Cash equivalents are recorded at market value.

Investments consist of certificates of deposit with an original maturity of greater than 90 days. Investments are recorded at market value.

7. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2008 to be paid in July and August 2008. Of the total amount of \$875,919 due from other governmental units, \$769,568 consists of State Aid and the remaining \$106,351 consists of Federal and State grants due from other governments.

9. Inventories

Inventories are stated at cost on a first in/first out basis. To the extent of available fund balance, inventory amounts are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets

Capital assets include land, buildings and additions, equipment, and construction in progress and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$2,500 and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings, improvements, and additions	20 - 30 years
Equipment and furniture	5 - 20 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

12. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2008, and anticipated State Aid is expected to be sufficient to cover this commitment.

13. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements in two components: the portion of accrued interest payable that is due within one year is reported as a current liability, the remaining amount that is not due within one year has been reported as a noncurrent liability. The interest payable on the Durant Resolution bonds that were due May 15, 2003 through May 15, 2005, May 15, 2007, and May 15, 2008 and a portion of the payment that is due May 15, 2009, is shown as a noncurrent liability due to the State of Michigan deferring the payments during this time period until May 15, 2012.

14. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18 per \$1,000 of taxable valuation on nonhomestead property for general governmental services, \$7.45 for debt service, and \$0.9871 for a site and facilities sinking fund per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District.

16. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average of pupil membership counts taken in February 2007 and September 2007. The average calculation was weighted 25% for the February 2007 count and 75% for the September 2007 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through ten (10) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

17. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year have been reported as deferred revenue.

18. County Special Education Revenue Allocation

The millage was collected by Ingham Intermediate School District (IISD) and the payments to the District were based on the most recent IISD budget at the time of allocation of excess revenues, after all IISD costs had been reimbursed. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special Education students enrolled at IISD, of the District compared to the total countywide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

19. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers.

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Reserved Fund Balance

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

21. Restrictions of Net Assets

Restrictions of net assets shown in the District-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

22. Federal Programs

Federal programs are accounted for in the General Fund and Food Service Fund.

23. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, the carrying amount of the District's deposits was \$615,962 and the bank balance was \$647,612, of which \$241,215 was covered by federal depository insurance. The balance of \$406,397 was uninsured and uncollateralized. The District had \$900 of imprest cash on hand.

Investments

As of June 30, 2008, the District had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Insured or registered for which the securities are held by the District's name			
Commercial Paper Investments	<u>\$ 1,023,946</u>	<u>\$ 1,025,855</u>	17 days

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, the investments in the Smith-Barney-Division of Citigroup commercial paper were rated AAA by Standard and Poors and Aaa by Moody's.

Interest rate risk

The District has a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District will assess and control this risk through the use of: segmented time distribution, specific identification, weighted average maturity, duration, and simulation model. These methods may be implemented as defined by GASB. The Board may apply different methods to different investments.

Concentration of credit risk

The District has a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Investments in securities guaranteed by the U.S. Treasury may be purchased in any dollar amount up to 100% of available reserves. Investment institutions will be screened for eligibility under the following requirements: qualify under SEC rule 15C3-1, capital of no less than \$10,000,000, registered as a dealer under SEC Act of 1939, member NASD, registered in Michigan, institution engagement in similar business for a minimum of five (5) years.

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

As of June 30, 2008, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,515,282	\$ 28,868	\$ 1,544,150
Investments	<u>-</u>	<u>96,658</u>	<u>96,658</u>
	<u>\$ 1,515,282</u>	<u>\$ 125,526</u>	<u>\$ 1,640,808</u>

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2008</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Construction in progress	<u>2,403,757</u>	<u>-</u>	<u>(2,403,757)</u>	<u>-0-</u>
Subtotal	2,483,757	-0-	(2,403,757)	80,000
Capital assets being depreciated				
Buildings and additions	17,913,773	2,466,002	-	20,379,775
Equipment, furniture, and other assets	<u>1,141,480</u>	<u>4,461</u>	<u>-</u>	<u>1,145,941</u>
Subtotal	19,055,253	2,470,463	-0-	21,525,716
Less accumulated depreciation for:				
Buildings and additions	(3,358,924)	(517,253)	-	(3,876,177)
Equipment, furniture, and other assets	<u>(608,964)</u>	<u>(91,438)</u>	<u>-</u>	<u>(700,402)</u>
Subtotal	<u>(3,967,888)</u>	<u>(608,691)</u>	<u>-0-</u>	<u>(4,576,579)</u>
Net capital assets being depreciated	<u>15,087,365</u>	<u>1,861,772</u>	<u>-0-</u>	<u>16,949,137</u>
Capital assets, net	<u>\$17,571,122</u>	<u>\$ 1,861,772</u>	<u>\$(2,403,757)</u>	<u>\$17,029,137</u>

Total depreciation expense of \$608,691 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Note Payable - Schmidt	\$ 30,908	\$ -	\$ 7,048	\$ 23,860	\$ 7,483
1998 School Building and Site Bonds	40,000	-	40,000	-0-	-
1998 Durant Resolution Bonds	47,263	-	-	47,263	4,455
2002 School Building and Site Bonds	2,325,000	-	155,000	2,170,000	165,000
2003 Refunding Bonds	885,000	-	230,000	655,000	225,000
2004 School Building and Site Bonds	8,320,000	-	100,000	8,220,000	125,000
2006 Energy Bonds	1,485,000	-	55,000	1,430,000	55,000
2006 Refunding Bonds	5,600,000	-	20,000	5,580,000	55,000
Michigan School Bond Loans - Principal and interest	1,434,367	358,794	-	1,793,161	-
Compensated absences	<u>341,908</u>	<u>115,233</u>	<u>185,395</u>	<u>271,746</u>	<u>54,349</u>
	20,509,446	474,027	792,443	20,191,030	691,287
Less: deferred amounts on refunding	<u>(232,728)</u>	<u>-</u>	<u>9,697</u>	<u>(223,031)</u>	<u>9,697</u>
	<u>\$20,276,718</u>	<u>\$ 474,027</u>	<u>\$ 782,746</u>	<u>\$19,967,999</u>	<u>\$ 681,590</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

\$7,835,000 2002 School Building and Site Bonds dated October 21, 2002, due in annual installments ranging from \$165,000 to \$265,000 through May 1, 2018, with interest ranging from 4.00 to 4.50 percent, payable semi-annually. \$ 2,170,000

\$1,850,000 2003 Refunding Bonds dated March 24, 2003, due in annual installments ranging from \$210,000 to \$225,000 through May 1, 2011, with interest ranging from 3.125 to 3.50 percent, payable semi-annually. 655,000

\$8,500,000 2004 School Building and Site Bonds dated July 29, 2004, due in annual installments ranging from \$125,000 to \$525,000 through May 1, 2030, with interest ranging from 3.00 to 4.90 percent, payable semi-annually. 8,220,000

\$1,525,000 2006 Energy Bonds dated June 8, 2006, due in annual installments ranging from \$55,000 to \$110,000 through May 1, 2026, with interest ranging from 3.90 to 4.25 percent, payable semi-annually. 1,430,000

\$5,600,000 2006 Refunding Bonds dated September 19, 2006, due in annual installments ranging from \$20,000 to \$440,000 through May 1, 2032, with interest ranging from 4.00 to 4.25 percent, payable semi-annually. 5,580,000

\$18,055,000

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: LONG-TERM DEBT - CONTINUED

Resolution Bonds

\$80,045 1998 Durant Resolution Bonds dated November 24, 1998, due in annual installments ranging from \$4,455 to \$27,888 through May 15, 2013, with interest of 4.76 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan. The State of Michigan has suspended payment until May 15, 2009.

\$ 47,263

Notes Payable

\$89,456 Schmidt Note Payable dated May 23, 1995, due in monthly installments ranging from \$607 to \$722 through June 1, 2011, with interest of 6.00 percent, payable monthly.

\$ 23,860

Michigan School Bond Loans

The School District has borrowed on various occasions from the Michigan School Bond Loan Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 4.250 to 4.82341 percent.

The School District has borrowed \$285,316 in principal and an additional \$73,478 of interest was accrued during this fiscal year. The balances at June 30, 2008, are as follows:

Loan balance	\$ 1,578,652
Interest balance	<u>214,509</u>
	<u>\$ 1,793,161</u>

Advance Refunding - Prior

On September 19, 2006, the District defeased a portion of the 1998 School Building and Site Bonds and the 2002 School Building and Site Bonds, which are due and payable May 1, 2009 through May 1, 2014 and May 1, 2019 through May 1, 2032, respectively. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued 2006 Refunding Bonds in the amount of \$5,600,000 to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay a portion of the remaining balances of the 1998 and 2002 School Building and Site General Obligation Bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008, bonds due and payable May 1, 2009 through May 1, 2014 for the 1998 School Building and Site Bonds and May 1, 2019 through May 1, 2032 for the 2002 School and Site Bonds in the amount of \$5,220,000 are considered defeased.

On March 13, 2003 the District defeased the portion of the 1993 Refunding Bonds, which are due and payable May 1, 2004 through May 1, 2011. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The District issued 2003 Refunding Bonds in the amount of \$1,850,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the District's financial statements. At June 30, 2008, bonds due and payable May 1, 2009 through May 1, 2011 for 1993 Refunding Bonds in the amount of \$650,000 are considered defeased.

Compensated Absences - In recognition of services to the District, a severance payment is made to eligible employees according to their respective employment contracts.

Webberville Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: LONG-TERM DEBT - CONTINUED

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2008 for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of accrued severance pay and related payroll taxes as of June 30, 2008, which has been recorded in the district-wide financial statements, is as follows:

	<u>Vested Employees</u>	<u>Nonvested Employees</u>	<u>Total</u>
Severance pay	\$ 217,345	\$ 35,090	\$ 252,435
Payroll taxes	<u>16,627</u>	<u>2,684</u>	<u>19,311</u>
	<u>\$ 233,972</u>	<u>\$ 37,774</u>	<u>\$ 271,746</u>

The annual requirement to pay the debt principal and interest outstanding for the Long-Term Debt is as follows:

<u>Year Ending June 30,</u>	<u>Durant Resolution Bonds</u>		<u>General Obligation Bonds</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 4,455	\$ 1,166	\$ 625,000	\$ 763,220	\$ 7,483	\$ 1,228
2010	4,666	954	655,000	741,494	7,944	767
2011	4,889	732	690,000	717,474	8,433	276
2012	27,888	9,878	550,000	691,859	-	-
2013	5,365	256	590,000	670,422	-	-
2014-2018	-	-	3,335,000	2,817,440	-	-
2019-2023	-	-	4,165,000	2,204,851	-	-
2024-2028	-	-	4,695,000	1,245,758	-	-
2029-2032	-	-	2,750,000	259,151	-	-
	<u>\$ 47,263</u>	<u>\$ 12,986</u>	<u>\$18,055,000</u>	<u>\$10,111,669</u>	<u>\$ 23,860</u>	<u>\$ 2,271</u>

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation.

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008 are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 788</u>

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to nonmajor governmental funds from:	
General Fund	\$ <u>71,749</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	\$ <u>261,369</u>

NOTE G: EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2007, the last year available, may be obtained by contacting the State of Michigan, Department of Management and Budget.

The payroll for employees covered by the MPERS for the year ended June 30, 2008 was \$3,110,820 of which \$2,470,982 was for members who have elected the MIP option; the District's total payroll was \$3,225,482.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

The MPSERS also provides death and disability benefits and health and medical, dental, vision, and hearing insurance coverage. Benefits are established by State statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987, to December 31, 1989, and 3.9% thereafter. Employees first hired on or after January 1, 1990, are required to contribute based on a graduated rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

For the period of July 1, 2007 to September 30, 2007, the District is required by State statute to contribute 17.74% of covered compensation for all wages to the Plan. For the period of October 1, 2007 to June 30, 2008 the District is required by State statute to contribute 16.72% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2008 and the previous two (2) years are as follows:

<u>June 30.</u>	<u>MIP Contributions</u>	<u>District Contributions</u>	<u>Total Contributions</u>
2008	\$ 96,015	\$ 527,472	\$ 623,487
2007	89,031	522,158	611,189
2006	89,516	478,656	568,172

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30.</u>	<u>MIP Contributions</u>	<u>District Contributions</u>
2008	3.9%	17.0%
2007	4.0	17.4
2006	4.0	16.0

NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the budgetary comparison schedules, the District's budgeted expenditures in the General Fund have been adopted and shown at the functional classification level. The Special Revenue Fund budgets are adopted at the fund level but have not been presented since they are nonmajor funds.

During the year ended June 30, 2008, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Supporting services			
Operation and maintenance	\$ 685,840	\$ 716,577	\$ 30,737
Community services	73,102	83,804	10,702
Other financing uses			
Transfers to other funds	255,000	261,369	6,369
Food service fund	221,800	227,362	5,562
Athletics fund	197,558	210,169	12,611
Spartan Center fund	115,772	116,965	1,193

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, builders risk, crime, inland marine, employee dishonesty, auto, boiler and machinery, liability, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE J: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff an agreed upon amount for past underfunding of special education. Webberville Community Schools, a nonplaintiff District, was awarded \$160,090 in the settlement. These funds are being paid as follows:

- a. One-half is being paid over the next ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds are recorded within the General Fund as categorical State Aid. At the end of the current year all these funds had been expended.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 24, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments or these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt Payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

NOTE K: BONDED CONSTRUCTION AND SINKING FUNDS

The various Capital Project Funds of the District include the capital project activities funded by local millage for a bond sinking fund (Site and Facilities Sinking Capital Projects Fund) and a bond issue (2006 Energy Bond Projects), and other miscellaneous local revenues in all three of these funds. For the expenditures recorded within the Site and Facilities Sinking Capital Projects Fund, the District has complied with the applicable provisions of Section 1212 (1) of the Revised School Code and the Michigan Department of Treasury Letter No. 01-95.

These two (2) Capital Project Funds of the District include the capital projects activities funded in part by the \$1,525,000 2006 Energy Bonds dated June 8, 2006. The remaining funding for the activities recorded within these Capital Project Funds are funded by local revenues from local millage for a bond sinking fund and other local revenue such as interest, general fund transfers, etc. For these projects recorded within the Capital Project Funds, the District has, based on our testing of a sample of transactions from the inception of these projects, complied with the applicable provisions of Sections 1351 (a) and 1212 of the Revised School Code, and the Michigan Department of Treasury Letter 01-95, in the current year and all applicable prior years.

Webberville Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE K: BONDED CONSTRUCTION AND SINKING FUNDS - CONTINUED

The Capital Projects Funds include capital project activities funded in part with the above-mentioned bonds issued and sinking fund amounts levied after May 1, 1994. The following is a summary of the revenue and expenditures in the Capital Projects Funds from the inception of each fund as it relates to these bond issues through the current fiscal year. These amounts relate to cumulative project-to-date revenues/expenditures through the period ended June 30, 2008.

	2006 <u>Energy Bonds</u>	<u>Sinking Fund</u>	<u>Total</u>
Revenues	<u>\$ 1,536,695</u>	<u>\$ 451,488</u>	<u>\$ 1,988,183</u>
Expenditures	<u>\$ 1,536,695</u>	<u>\$ 425,351</u>	<u>\$ 1,962,046</u>

NOTE L: SHORT-TERM NOTES

On August 20, 2007, the School issued a short-term State School Aid Anticipation Note in the amount of \$1,400,000 for the purpose of funding operating expenditures until the 2008 State Aid payments resumed. This short-term note, which had a net outstanding balance of \$1,444,364 (principal and accrued interest expense payable) at June 30, 2008, is reported in the General Fund under the caption short-term notes payable and the applicable accrued interest under the caption accrued liabilities. The outstanding balance was paid August 20, 2008.

NOTE M: SUBSEQUENT EVENT

On August 20, 2008, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$1,400,000 was for the purpose of funding operating expenditures until the fiscal year 2009 State Aid payments resume. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

REQUIRED SUPPLEMENTARY INFORMATION

Webberville Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 725,303	\$ 732,792	\$ 740,142	\$ 7,350
State sources	4,254,999	4,242,070	4,249,931	7,861
Federal sources	158,695	217,698	207,965	(9,733)
TOTAL REVENUES	5,138,997	5,192,560	5,198,038	5,478
EXPENDITURES				
Current				
Instruction	3,105,804	3,235,386	3,187,562	47,824
Supporting services				
Pupil	553,028	571,915	537,074	34,841
Administration	711,971	713,589	691,114	22,475
Operation and maintenance	706,783	685,840	716,577	(30,737)
Pupil transportation	144,570	151,834	150,511	1,323
Total supporting services	2,116,352	2,123,178	2,095,276	27,902
Community services	56,451	73,102	83,804	(10,702)
TOTAL EXPENDITURES	5,278,607	5,431,666	5,366,642	65,024
EXCESS OF REVENUES (UNDER) EXPENDITURES	(139,610)	(239,106)	(168,604)	70,502
OTHER FINANCING SOURCES (USES)				
Other transactions	84,610	74,211	83,772	9,561
County special education allocation	311,957	479,285	494,056	14,771
Transfers out	(256,060)	(255,000)	(261,369)	(6,369)
TOTAL OTHER FINANCING SOURCES (USES)	140,507	298,496	316,459	17,963
NET CHANGE IN FUND BALANCE	897	59,390	147,855	88,465
Fund balance, beginning of year	34,507	34,507	34,507	-0-
Fund balance, end of year	<u>\$ 35,404</u>	<u>\$ 93,897</u>	<u>\$ 182,362</u>	<u>\$ 88,465</u>

OTHER SUPPLEMENTARY INFORMATION

Webberville Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2008

	Special Revenue Funds		
	Food Service	Athletics	Spartan Center
ASSETS			
Cash and cash equivalents	\$ -	\$ 20,710	\$ 5,387
Receivables	87	-	-
Inventories	4,591	-	-
Due from other governmental units	1,363	-	-
Due from other funds	70	-	-
Prepays	-	-	-
TOTAL ASSETS	\$ 6,111	\$ 20,710	\$ 5,387
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 13,807	\$ 2,049
Accrued liabilities	4,180	6,903	2,712
Due to other funds	788	-	-
Deferred revenue	157	-	-
TOTAL LIABILITIES	5,125	20,710	4,761
FUND BALANCES			
Reserved for			
Inventories and prepaids	986	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special Revenue Funds	-	-	626
Capital Projects Funds	-	-	-
TOTAL FUND BALANCES	986	-0-	626
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,111	\$ 20,710	\$ 5,387

Debt Service Funds			
1998 Debt	2002 Debt	2003 Debt	2004 Debt
\$ 464	\$ 1,097	\$ 37,352	\$ 1,464
6	34	36	38
-	-	-	-
-	-	-	-
2,598	16,837	17,703	23,380
-	-	-	-
<u>\$ 3,068</u>	<u>\$ 17,968</u>	<u>\$ 55,091</u>	<u>\$ 24,882</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-0-	-0-	-0-	-0-
-	-	-	-
3,068	17,968	55,091	24,882
-	-	-	-
-	-	-	-
<u>3,068</u>	<u>17,968</u>	<u>55,091</u>	<u>24,882</u>
<u>\$ 3,068</u>	<u>\$ 17,968</u>	<u>\$ 55,091</u>	<u>\$ 24,882</u>

Webberville Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2008

	Debt Service Funds	Capital Project Funds	
	2006 Debt	Site and Facilities Sinking	2006 Energy Bonds Project
ASSETS			
Cash and cash equivalents	\$ 578	\$ 25,395	\$ -
Receivables	10	16	-
Inventories	-	-	-
Due from other governmental units	-	-	-
Due from other funds	11,161	-	-
Prepays	-	726	-
TOTAL ASSETS	\$ 11,749	\$ 26,137	\$ -0-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Inventories and prepaids	-	726	-
Debt service	11,749	-	-
Unreserved			
Undesignated, reported in			
Special Revenue Funds	-	-	-
Capital Projects Funds	-	25,411	-
TOTAL FUND BALANCES	11,749	26,137	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,749	\$ 26,137	\$ -0-

Total
Nonmajor
Governmental
Funds

\$	92,447				
	227				
	4,591				
	1,363				
	71,749				
	726				
	<hr/>				
\$	171,103				
	<hr/> <hr/>				

	15,856				
	13,795				
	788				
	157				
	<hr/>				
	30,596				

	1,712				
	112,758				
	626				
	25,411				
	<hr/>				
	140,507				
	<hr/>				
\$	171,103				
	<hr/> <hr/>				

Webberville Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES

Year Ended June 30, 2008

	Special Revenue Funds		
	Food Service	Athletics	Spartan Center
REVENUES			
Local sources	\$ 120,753	\$ 48,800	\$ 16,819
State sources	12,132	-	-
Federal sources	95,463	-	-
TOTAL REVENUES	228,348	48,800	16,819
EXPENDITURES			
Current			
Food service	227,362	-	-
Athletics	-	210,169	-
Community services	-	-	116,965
Debt service			
Principal retirement	-	-	-
Interest, fiscal, and other charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	227,362	210,169	116,965
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	986	(161,369)	(100,146)
OTHER FINANCING SOURCES			
Transfers in	-	161,369	100,000
Loan proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES	-0-	161,369	100,000
NET CHANGE IN FUND BALANCES	986	-0-	(146)
Fund balances, beginning of year	-	-	772
Fund balances, end of year	\$ 986	\$ -0-	\$ 626

Debt Service Funds			
1998 Debt	2002 Debt	2003 Debt	2004 Debt
\$ 33,574	\$ 215,676	\$ 268,584	\$ 297,353
-	-	-	-
-	-	-	-
33,574	215,676	268,584	297,353
-	-	-	-
-	-	-	-
-	-	-	-
40,000	155,000	230,000	100,000
2,055	97,018	28,066	366,605
-	-	-	-
42,055	252,018	258,066	466,605
(8,481)	(36,342)	10,518	(169,252)
-	-	-	-
676	8,372	-	166,021
676	8,372	-0-	166,021
(7,805)	(27,970)	10,518	(3,231)
10,873	45,938	44,573	28,113
\$ 3,068	\$ 17,968	\$ 55,091	\$ 24,882

Webberville Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CONTINUED

Year Ended June 30, 2008

	Debt Service Funds	Capital Projects Funds	
	2006 Debt	Site and Facilities Sinking	2006 Energy Bond Projects
REVENUES			
Local sources	\$ 140,875	\$ 119,922	\$ -
State sources	-	-	-
Federal sources	-	-	-
TOTAL REVENUES	140,875	119,922	-0-
EXPENDITURES			
Current			
Food service	-	-	-
Athletics	-	-	-
Community services	-	-	-
Debt service			
Principal retirement	20,000	62,048	-
Interest, fiscal, and other charges	230,408	62,338	-
Capital outlay	-	55,556	8,192
TOTAL EXPENDITURES	250,408	179,942	8,192
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(109,533)	(60,020)	(8,192)
OTHER FINANCING SOURCES			
Transfers in	-	-	-
Loan proceeds	110,247	-	-
TOTAL OTHER FINANCING SOURCES	110,247	-0-	-0-
NET CHANGE IN FUND BALANCES	714	(60,020)	(8,192)
Fund balances, beginning of year	11,035	86,157	8,192
Fund balances, end of year	\$ 11,749	\$ 26,137	\$ -0-

Total Nonmajor Governmental Funds	
\$	1,262,356
	12,132
	<u>95,463</u>
	1,369,951
	227,362
	210,169
	<u>116,965</u>
	607,048
	786,490
	<u>63,748</u>
	<u>2,011,782</u>
	(641,831)
	261,369
	<u>285,316</u>
	<u>546,685</u>
	(95,146)
	<u>235,653</u>
\$	<u><u>140,507</u></u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Webberville Community Schools
Webberville, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools as of and for the year ended June 30, 2008, which collectively comprise Webberville Community Schools' basic financial statements and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Webberville Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Webberville Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Webberville Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webberville Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

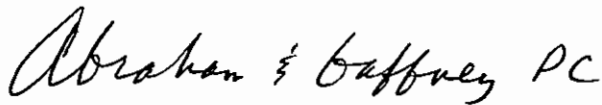
VIOLATION OF BUDGETING ACT

As noted in the financial statements, some of the activities of the District exceeded the amount appropriated. Variances were noted in the General Fund, Food Service Fund, Athletics Fund, and Spartan Center Fund. A similar issue was noted and reported in our audit comments last year.

Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the District monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use of the administration, the Board of Education of Webberville Community Schools, the pass-through entities, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney PC". The script is cursive and fluid.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 15, 2008